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April 20, 1994

92-266

OFFICE OF  
THE CHAIRMAN

The Honorable Trent Lott  
United States Senate  
487 Russell Senate Office Building  
Washington, D.C. 20510-1401

Dear Senator Lott:

Thank you for your recent letter expressing concern about the regulatory burdens imposed on operators of small cable television systems under the Commission's rate regulations.

The Cable Television Consumer Protection and Competition Act of 1992 specifically requires the Commission to:

design such regulations to reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers.

When the Commission adopted its initial rate rules in April of 1993, it incorporated several provisions that were designed to relieve the administrative burdens the rules had created for small systems. The Commission came to recognize, however, that further consideration of this problem was needed. Consequently a Further Notice of Proposed Rulemaking was issued to solicit comment on how the rules might be improved in their application to small systems and an administrative stay of the rules was issued until that review could be completed.

On February 22, 1994, new rules were adopted for the industry as a whole and for small systems in particular. The Commission concluded that some immediate additional relief for smaller systems was warranted and that further proceedings would be needed to finally fit the rules to the circumstances of small systems. I have enclosed several releases that describe the changes that the Commission has adopted.

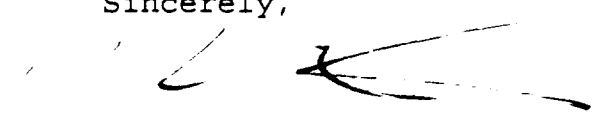
The changes are of two types. First, there is relief that is purely administrative in nature, *i.e.*, is designed to address the paperwork burdens that the rules created. Under these revised rules certain systems may avoid the need to engage in complex calculations to develop reasonable rate level justifications. Other systems are permitted to average the necessary financial data on a company wide basis so that individual calculations are not needed to develop the required "at cost" equipment and installation charges for each franchise area.

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Second, the general requirement that the industry reduce rates by the so-called competitive differential (the estimated difference in rates between competitive and noncompetitive systems) does not apply to certain small system operators. For this purpose a small system operator is defined as having 15,000 or fewer subscribers on a company wide basis. These systems, during a transitional period while further cost studies are undertaken, will not have to reduce rates by the new 17% differential. In addition, small systems and the industry generally will not have to reduce rates below the "benchmark" level established in the rules during this transitional study period. They may, however, be required to forego certain inflation based adjustments during this period.

I recognize that the operators of small cable systems had hoped for either a total exemption from the rules or for much more drastic relief. The Commission, however, has had to strike a balance that is sensitive to the special situations of these systems yet still protects their subscribers. These subscribers need the protection of the Cable Act and our rules just as much as subscribers to large systems.

Sincerely,



Reed E. Hundt  
Chairman

Enclosures

TRENT LOTT  
MISSISSIPPI

SECRETARY  
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## United States Senate

WASHINGTON, DC 20510-2403

December 16, 1993

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3001

Hon. Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N. W., Room 802  
Washington, DC 20554

Dear Chairman Hundt:

Earlier this year, I wrote to the FCC urging the Commission to alleviate unnecessary regulatory burdens created by the 1992 Cable Act on small cable system operators. The Commission responded by staying the effective date of the rate regulation rules for cable television systems with 1,000 or fewer subscribers. I appreciate the FCC's prompt attention to this matter. The Commission's action enabled many small businesses to continue to provide quality service to their customers.

At the same time, the FCC adopted a Further Notice of Proposed Rulemaking to obtain further comments on possible rate changes to mitigate the burdens of rate regulation on small systems. However, since issuing the FNPR on August 10, the Commission has yet to define a regulatory framework for small systems. Instead, the Commission increased the burden for small system operators by extending the rate freeze to February 15.

The Commission's failure to act on this matter is creating a great deal of economic uncertainty for small cable operators trying to make critical business decisions. Plans for plant upgrades and service expansion are being put on hold while cable operators wait for the FCC to define how they will be regulated. Ironically, the FCC's inaction is hurting the very people the Commission is directed by law to assist by alleviating the "administrative burdens and cost of compliance for systems with 1,000 or fewer subscribers."

In my previous letter, I offered several suggestions to alleviate unnecessary burdens for small systems. I again urge the Commission to complete the Further Notice of Proposed Rulemaking with regard to regulation of small cable systems. The Rulemaking should:

- \* permit small operators to justify their current rates based on a simplified net income analysis;
- \* permit small operators to base rates on the benchmark cap;

PLEASE REPLY TO

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JACKSON, MS 39021

☐ 3100 S. PASCAGOULA STREET  
PASCAGOULA, MS 39567

☐ #1 GOVERNMENT PLAZA  
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OXFORD, MS 38655

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SUITE 145  
GREENWOOD, MS 38930

Hon. Reed Hundt  
Page 2  
December 16, 1993

- \* authorize small operators to base rates on the bundling of service and equipment charges or the costs of the equipment based on industry averages;
- \* allow small operators to pass through rebuild costs;
- \* clarify that the customer service requirements do not require small operators to maintain local offices in each service area community;
- \* apply the 1,000 subscriber cutoff based on the number of subscribers in individual franchise areas; and
- \* identify the size of small cable businesses needing relief.

I believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protections. I urge the Commission to act promptly on this matter.

Sincerely,

A handwritten signature in cursive script, reading "Trent Lott". The signature is written in dark ink and is positioned above the printed name.

Trent Lott

cc: Commissioner James H. Quello  
Commissioner Andrew C. Barrett  
Commissioner Ervin S. Duggan

TRENT LOTT  
MISSISSIPPI  
SECRETARY  
REPUBLICAN CONFERENCE

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Sincerely,

A handwritten signature in black ink, appearing to read "Trent Lott". The signature is fluid and cursive, with the first name "Trent" and last name "Lott" clearly distinguishable.

Trent Lott

cc: Commissioner James H. Quello  
Commissioner Andrew C. Barrett  
Commissioner Ervin S. Duggan